PRODUCTION

GM strike cuts U.S. car output

By Kathy Barbaglia
AUTOMOTIVE NEWS STAFF REPORTER

Production of domestic cars dipped last week from the previous week's output as nine General Motors assembly plants closed for varying periods because of a strike at Delco Electronics Corp. in Kokomo, Ind.

Two other GM plants and part of a third were down for inventory adjustment.

Although the strike was settled early Friday (Nov. 21), GM was unable to say when workers would return to their jobs. The strike cost GM about 3,600 cars.

Delco workers walked out last Monday (Nov. 17), citing health and safety issues.

Last week's targeted production of 165,476 was 6.33 percent below the prior week's 176,658 and 7.11 percent below the year-ago week's 178,138.

Automakers assembled their 7-millionth car of the year last Wednesday (Nov. 19), almost three weeks behind 1985.

So far this year, 7,083,991 units have been assembled, 4.50 percent below the 7,417,637 completed last year at this point.

Companies split last week's scheduled output as follows: GM, 50.83; Ford Motor Co., 24.41 percent; Chrysler Motors, 14.32 percent; Honda of America Manufacturing Inc., 4.02 percent; New United Motor Manufacturing Inc., 2.54 percent; Nissan Motor Manufacturing Co., U.S.A., 1.76 percent; Volkswagen of America, 1.21 percent; and American Motors, 0.91 percent.

Here are the GM assembly plants and number of employees laid off by the Delco Electronics strike: Wilmington, Del., 3,600 workers; Fairfax, Kans., 5,000; Linden, N.J., 2,000; Lake Orion, Mich., 5,600; Willow Run, Mich., 4,200; Bowling Green, Ky., 1,000; Detroit (Clark Avenue), 5,500; Detroit-Hamtramck, 3,500; Wentzville, Mo., 6,000.

The 2,000 workers that had been temporarily idled at GM's Flint, Mich., plant are expected to return to work today. They had been laid off for inventory adjustment. The Fiero and G-car plants in Pontiac, Mich., also were down for inventory adjustment last week.

Chrysler's St. Louis (No. 1) plant resumed output last week. The plant had been down for model changeover since mid-July.

Ford slated Saturday (Nov. 22) overtime at its Wixom, Mich.; Edison, N.J.; and Wayne, Mich., plants.

Chrysler's Sterling Heights, Mich., plant was scheduled for overtime last Saturday.

Sterling Heights and Chrysler's Belvidere, Ill., and Newark, Del., plants are slated for daily overtime this week.

Goodyear buys out Goldsmith

CRAIN NEWS SERVICE

AKRON, Ohio — Goodyear Tire & Rubber Co. has kept control of its company, but the victory will cost about $3 million.

The company agreed Nov. 20 to pay Sir James Goldsmith and his partners $49.50 for each of their 12.5 million shares in the world's largest tire maker, or about $618.8 million. The European financier owns about 11.5 percent of Goodyear's shares. The stock had been trading at $41.75 on Nov. 19, the day before the buy-back was announced.

In addition, the company said it would pay Goldsmith for unspecified expenses and protect him against certain claims.

As part of the deal, Goldsmith agreed not to buy any Goodyear stock for five years.

Goodyear also announced a tender offer for 40 million of its outstanding shares at $50 per share cash, or $2 billion.

The company will carry out its previously announced plan to shed its Celeron Corp., Goodyear Aerospace Corp. and Motor Wheel Corp. subsidiaries. The restructuring came in response to Goldsmith's accumulation of shares for a takeover, and it reversed Goodyear's previous strategy of diversification.

In addition, Goodyear will implement early retirement programs and a wide range of cost-cutting measures.

"In my opinion, the sight of whole communities rising up against an unwarranted takeover attempt was the major factor in Goldsmith's decision to sell out," said Robert E. Mercer, chairman and chief executive officer of Goodyear.

Goldsmith said his move was influenced by pending legislation in Ohio that could have seriously impaired his bid. The proposed laws, for example, would have allowed Ohio companies to issue new shares with special voting rights to third parties without shareholder approval.

U.S. truck build dips during week

United States truck makers targeted production of 71,424 units last week, 1.77 percent below the previous week's 72,709 and 9.17 percent below the year-ago week's 78,632.

Due to a strike at Delco Electronics Corp. in Kokomo, Ind., General Motors cut out one shift on its van line at the Lordstown, Ohio, plant last Friday (Nov. 21). It idled 1,032 of the plant's 6,000 employees. The strike was settled early Friday (Nov. 21).

GM scheduled Saturday (Nov. 22) overtime for its heavy-duty line in Pontiac, Mich. Saturday overtime also was slated at Ford Motor Co.'s Lorain, Ohio, plant.

Chrysler Motors' Warren, Mich., plant is scheduled for daily overtime this week.

All plants will be closed Thursday and Friday (Nov. 27-28) for Thanksgiving.

Canada passes truck milestone

Canadian makers built their 700,000th truck of the year last Tuesday (Nov. 18), 11 days later than in 1985.

So far this year, 709,925 trucks have been assembled, 7.65 percent fewer than the 768,730 completed last year at this point.

Last week's scheduled truck output of 13,672 was 30.06 percent more than the previous week's 10,512 and 28.81 percent below the year-ago week's 19,205.

Car production was targeted at 25,695 units last week, 13.93 percent more than the previous week's 22,554 and 1.67 percent more than the year-ago week's 25,272.

So far this year, 951,052 cars have been built, 3.60 percent below the 986,595 completed last year at this time.

A number of General Motors assembly plants in the United States were idled last week (Nov. 17) by a strike at Delco Electronics Corp. in Kokomo, Ind. However, at press-time, no Canadian assembly plants were affected.

CANADIAN CAR	Week Ended Nov. 22, 1986	Week Ended Nov. 23, 1985	Week Ended Nov. 15, 1986	Nov. to Date	Jan. 1 to Nov. 23, 1985	Jan. 1 to Nov. 22, 1986
AMERICAN MOTORS	145	0	145	405	10,083	3,967
FORD MOTOR	11,645	10,741	8,909	34,172	451,093	471,050
GENERAL MOTORS	13,680	14,306	13,320	40,600	516,469	467,065
VOLVO	225	225	180	630	8,950	8,970
Total Cars, Canada	25,695	25,272	22,554	75,808	986,595	951,052

U.S. TRUCK☆	Week Ended Nov. 22, 1986	Week Ended Nov. 23, 1985	Week Ended Nov. 15, 1986	Nov. to Date	Jan. 1 to Nov. 23, 1985	Jan. 1 to Nov. 22, 1986
CHEVROLET	21,164	24,295	22,547	68,285	1,059,345	1,067,067
DODGE	5,000	5,547	4,986	16,008	191,039	126,822
FORD	27,337	30,464	26,705	78,569	1,087,064	1,243,329
GMC	7,933	7,072	8,122	24,656	323,134	328,510
NAVISTAR	1,610	1,486	1,614	4,799	67,112	65,318
JEEP	4,300	5,643	4,285	12,937	208,553	171,407
NISSAN	1,730	2,075	2,100	5,493	98,550	99,867
AM GENERAL*	50	50	50	150	2,280	2,274
MISCELLANEOUS*	2,300	2,000	2,300	6,900	84,953	103,592
Total Trucks, U.S.	71,424	78,632	72,709	217,797	3,122,030	3,208,186

CANADIAN TRUCK	Week Ended Nov. 22, 1986	Week Ended Nov. 23, 1985	Week Ended Nov. 15, 1986	Nov. to Date	Jan. 1 to Nov. 23, 1985	Jan. 1 to Nov. 22, 1986
AMERICAN MOTORS	625	0	640	1,765	0	25,525
CHRYSLER	8,964	9,303	7,611	24,169	354,221	359,519
FORD	2,802	3,624	1,212	5,068	146,205	132,857
GENERAL MOTORS	1,080	6,081	856	2,806	258,205	183,554
NAVISTAR	201	197	193	594	10,099	8,470
Total Trucks, Canada	13,672	19,205	10,512	34,402	768,730	709,925
N. American Trucks	85,096	97,837	83,221	252,199	3,890,760	3,918,111

☆—Includes window van production. *—Estimated.
Jeep includes commercial only. AM General includes government-destined vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.

U.S. CAR	Week Ended Nov. 22, 1986	Week Ended Nov. 23, 1985	Week Ended Nov. 15, 1986	Nov. to Date	Jan. 1 to Nov. 23, 1985	Jan. 1 to Nov. 22, 1986
AMERICAN MOTORS	1,500	2,273	1,500	3,000	103,927	46,842
Renault Total	1,500	2,273	1,500	3,000	103,927	46,842
Alliance	1,500	1,830	1,500	3,000	68,277	43,495
Encore	0	443	0	0	35,650	3,347
CHRYSLER MOTORS	23,700	26,173	27,293	79,799	1,138,627	1,186,310
Plymouth Total	9,600	7,723	10,095	29,875	331,179	379,973
Horizon	3,700	3,131	3,881	11,295	127,637	156,234
Sundance	2,000	0	2,022	5,846	0	27,251
Reliant	3,100	3,250	2,919	8,851	146,078	138,385
Caravelle	800	1,342	905	2,897	43,572	40,517
Gran Fury	0	0	368	986	13,892	17,586
Chrysler Total	3,600	7,876	6,069	16,814	367,893	346,004
Laser	0	1,082	0	0	47,070	26,978
LeBaron	1,200	2,719	1,316	3,720	83,983	77,358
LeBaron GTS	1,000	2,791	1,127	2,997	89,064	58,188
New Yorker/E-Class	1,400	1,284	1,478	4,537	58,117	66,061
Fifth Avenue	0	0	2,148	5,560	92,659	117,399
Dodge Total	10,500	10,574	11,129	33,110	435,555	460,333
Daytona	100	1,076	0	100	42,723	30,443
Omni	3,500	3,065	3,773	10,868	123,133	148,712
Shadow	2,100	0	2,159	6,260	0	26,438
Aries	3,200	3,079	3,011	9,677	121,608	115,146
Dodge 600	900	1,441	967	3,022	59,788	59,281
Lancer	700	1,913	813	2,168	60,937	44,230
Diplomat	0	0	406	1,015	28,366	36,083
FORD MOTOR	40,398	35,464	38,444	116,570	1,486,510	1,578,639
Ford Division	28,602	23,623	28,311	84,721	997,298	1,092,765
Escort	9,081	8,620	8,076	26,396	309,847	343,687
EXP	0	0	0	0	3,838	0
Mustang	3,687	4,695	4,023	10,800	167,250	160,748
Tempo	4,129	5,338	4,247	12,571	169,347	177,101
LTD	0	0	0	0	180,724	0
Taurus	8,439	1,780	8,724	25,299	5,006	290,752
Thunderbird	3,266	3,190	3,241	9,655	154,164	120,477
Crown Victoria	0	0	0	0	7,122	0
L-M Division	11,796	11,841	10,133	31,849	489,212	485,874
Mercury Total	7,075	8,191	6,063	18,422	342,231	322,181
Lynx	1,465	2,250	1,229	4,071	67,222	54,931
Capri	0	595	0	0	17,252	12,344
Topaz	1,272	901	1,222	3,719	49,603	52,645
Cougar	1,407	3,934	968	2,604	117,582	89,607
Marquis	0	0	0	0	83,481	0
Sable	2,931	511	2,644	8,028	2,358	112,354
Grand Marquis	0	0	0	0	4,733	0
Lincoln Total	4,721	3,650	4,070	13,427	146,981	153,693
Continental	467	511	407	1,333	23,027	17,693
Lincoln	3,542	2,737	3,052	10,071	107,715	122,773
Mark VII	712	402	611	2,023	16,239	23,227
GENERAL MOTORS	84,108	105,534	92,606	272,252	4,384,645	3,759,025
Buick Total	12,342	21,235	21,121	54,437	911,900	702,041
Skyhawk	1,852	3,408	1,833	5,637	99,040	76,836
Century	5,863	8,047	5,797	17,322	266,319	206,658
Regal	0	2,547	1,899	3,677	123,390	54,045
Skylark (X-car)	0	0	0	0	40,953	0
Somerset/Skylark	2,583	1,388	2,658	7,859	109,921	100,815
LeSabre (fwd)	234	1,079	5,261	10,693	5,527	142,394
LeSabre/Electra(rwd)	266	391	328	923	95,143	13,784
Electra(fwd)	1,078	4,170	2,573	6,258	124,760	83,940
Riviera	466	205	772	2,068	46,847	23,569
Cadillac Total	5,364	6,155	7,550	20,586	297,487	287,300
Cimarron	750	617	700	2,174	24,156	21,889
Cadillac (rwd)	794	751	1,295	3,275	36,263	70,080
DeVille (fwd)	3,116	4,432	4,106	11,449	157,263	152,395
Eldorado	421	208	858	2,200	52,052	22,708
Seville	283	147	591	1,488	27,753	20,228
Chevrolet Total	28,111	35,838	30,286	89,458	1,474,679	1,190,025
Chevette	2,489	2,886	2,786	8,046	141,891	94,756
Camaro	3,294	5,008	3,265	9,865	192,763	160,437
Cavalier	9,171	10,196	8,830	26,941	445,827	362,565
Celebrity	6,008	6,324	5,633	18,012	241,085	233,910
Citation	0	0	0	0	28,699	0
Corsica/Beretta	1,052	0	1,354	3,568	0	7,906
Monte Carlo	1,085	2,587	2,418	6,030	125,778	101,426
Chevrolet	4,628	7,837	5,348	15,309	254,620	203,180
Corvette	384	1,000	652	1,687	41,885	25,845
Oldsmobile Total	14,145	23,555	16,504	46,975	1,063,402	854,375
Firenza	492	1,299	785	2,058	56,415	35,393
Calais	2,462	3,033	2,524	7,500	135,675	107,762
Cutlass Ciera	4,604	7,818	4,363	13,389	320,365	216,169
Cutlass Supreme	1,085	5,182	1,832	4,619	213,746	101,620
88 (fwd)	3,764	2,436	3,026	9,708	12,915	255,824
88 (rwd)	219	634	481	1,124	165,840	17,405
Olds 98	1,199	3,003	2,936	7,112	130,112	103,285
Toronado	320	150	557	1,465	28,334	16,917
Pontiac Total	24,146	18,751	17,145	60,796	637,177	725,284
Acadian**	0	782	147	259	14,825	14,376
Fiero	0	2,404	1,792	3,563	103,722	61,647
1000	831	1,536	558	1,939	31,763	18,692
Firebird	9,366	2,680	2,202	13,638	102,782	104,877
2000 Sunbird	2,502	3,496	2,541	7,380	129,476	121,994
Grand Am	5,760	3,588	3,357	15,331	125,213	207,892
6000	2,665	1,636	2,719	8,068	50,258	121,128
Bonneville	2,720	0	3,430	9,538	0	26,007
Parisienne	302	2,629	399	1,080	79,138	48,671
HONDA	6,650	2,609	7,268	21,163	131,325	207,668
Civic	1,650	0	1,645	5,007	0	14,221
Accord	5,000	2,609	5,623	16,156	131,325	193,447
NISSAN	2,920	1,816	3,418	9,368	35,337	51,445
NUMMI	4,200	1,900	4,179	13,403	50,539	177,586
Corolla	1,100	0	1,129	3,581	0	6,097
Nova*	3,100	1,900	3,050	9,822	50,539	171,489
VOLKSWAGEN	2,000	2,369	1,950	5,977	86,727	76,476
Golf/GTI	1,750	2,369	1,700	5,227	86,727	75,226
Jetta	250	0	250	750	0	1,250
Total Cars, U.S.	165,476	178,138	176,658	521,532	7,417,637	7,083,991
Total Cars, Canada	25,695	25,272	22,554	75,808	986,595	951,052
N. American Cars	191,171	203,410	199,212	597,340	8,404,232	8,035,043
N. American Trucks	85,096	97,837	83,221	252,199	3,890,760	3,918,111
North American Cars and Trucks	276,267	301,247	282,433	849,539	12,294,992	11,953,154

*—Revised estimate. **—All Acadians are built for sale in Canada.
Monthly estimates may contain error of one or two units due to rounding.

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GM to save millions by electronic bill-paying

CRAIN NEWS SERVICE

NEW YORK — General Motors has decided to begin paying all of its 20,000 suppliers electronically, a move that will save the company hundreds of millions of dollars and likely will spur other corporations to stop making corporate trade payments by check.

GM now issues 400,000 checks a month, totaling $4 billion.

Benson K. Woo, GM's director of worldwide banking and cash management, said GM will begin to move suppliers for the Chevrolet-Pontiac-Canada Group, the Buick-Oldsmobile-Cadillac Group and the Truck and Bus Group to the electronic system by the end of the year.

Chrysler Corp. now pays 50 major suppliers electronically and hopes to get its other 350 major suppliers — those that produce at least 50 invoices a month — on electronic payments, according to Henry Nauka, general supervisor — accounts payable.

Ford Motor Co. hasn't yet moved to electronic payments.

GM's electronic payments system incorporates several notable features. Among them:

- Company officials have set up a network of eight banks outside the automated clearinghouse (ACH) to handle payments and trade information electronically.
- Working with the banks, GM executives designed the network to allow other banks to join and to allow other industries to use it to send electronic corporate trade payments and trade information.

Electronic Data Systems Corp., Dallas, a GM unit that developed the electronic system, plans to market it to other companies.

- Messages will be compatible with the standard electronic business data interchange standard — known as X12 and developed by the American National Standards Institute — which allows receiving companies to update their accounts receivable automatically without having to re-key the data manually.
- GM will encourage its suppliers to receive all trade information electronically — not just payments — to enhance their trade relationship and save costs, said Woo.

At a minimum, he said, suppliers will have to receive payments electronically. For suppliers unable or unwilling to move completely to electronic data interchange, GM will use the ACH to send payments to them, while sending trade information separately either in electronic or paper form.

He indicated that suppliers that do not move to a complete elec-

AUTOMOTIVE NEWS JOE WILSSENS

Prep department employee at Village Ford, Dearborn, Mich., checks store's stock of Escorts and EXPs. Ford is offering 3.9 percent financing on both models.

3-tier plan from Mitsubishi

Korea, U.S., Japan to supply 1988 lineup

By Jesse Snyder
AUTOMOTIVE NEWS STAFF REPORTER

LA JOLLA, Calif. — Changing conditions will create an unconventional, three-tiered sourcing and pricing structure for Mitsubishi Motor Sales of America by 1988.

It will consist of entry-level cars from Korea, mid-level volume cars built in America and upscale and specialty cars and trucks from Japan, said Richard Recchia, executive vice president — general operations.

Next March, MMSA will start importing 30,000 entry-level cars a year from Korea's Hyundai Motor Corp., in which Mitsubishi Motor Corp. holds a stake. This move will boost volume otherwise restricted by allocations on Japanese car exports to the United States.

The two-door cars from Hyundai will be based on the same platform as the current Hyundai Excel, which essentially is a one-generation-old Mitsubishi Mirage-Dodge Colt.

To make room for it, Mitsubishi will drop the Mirage two-door hatchback and boost imports of the four-door Mirage, Recchia said. The dropped Mirages will give MMSA more of the higher-priced Cordia, Tredia, Starion and Galant imports.

Available volume will get another boost for 1988 with the startup of Diamond-Star Motors Corp., a joint venture of Chrysler Corp. and Japan's Mitsubishi Motors Corp. The output of the new assembly plant in Bloomington-Normal, Ill., will eventually grow to as much as 240,000 units annually, split equally between MMSA and Chrysler.

The cars Diamond-Star builds for MMSA will be marketed as mid-priced Mitsubishis. At that point, the Japanese export allocation will go only to higher-priced units such as the luxury Galant or lower-volume specialty cars like Starion, Recchia said.

see MITSUBISHI, page 54

Incentives grow; AMC Chevy join

By Edward Lapham and Laura Clark
AUTOMOTIVE NEWS STAFF REPORTERS

The current wave of incentives grew last week. American Motors replaced its dealer-rebate program with a retail low-interest-rate/rebate incentive, and Chevrolet Motor Division responded to Ford Motor Co. with a cash rebate to buyers of Cavaliers.

Chrysler Motors added incentives on its imported trucks.

The Chevrolet program offers $300 cash on all 13 Cavalier models. The program started Nov. 25 and covers retail deliveries from dealer inventories through Jan. 5.

A GM spokesman said the program is strictly "a response to the Escort and in no way is in conflict with" GM's promise to avoid annual-percentage-rate retail incentives.

Chrysler Motors started the retail incentive wave with an announcement Nov. 20 that it would offer cash or cut-rate loans on Aries, Reliant, pickups and vans. Last week, Chrysler expanded the program to include 1986 and 1987 imported Ram-50 and Power Ram-50 compact trucks.

The Chrysler plan runs through Jan. 20 and offers buyers interest rates of 3.9 percent on 24-month contracts, 4.9 percent for 36 months, 5.9 percent for 48 months ad 9.9 percent for 60 months, or $500 cash.

Last week, AMC replaced its dealer-rebate incentives that had been announced hours after Chrysler's package came across the wire.

AMC now will offer zero-percent APR financing for 24-month loans on 1986 Alliances, Encores and Jeep Comanches. AMC is offering 5.9 percent on 36-month contracts and 8.9 percent on 48-month contracts on 1986 Alliance,

see INCENTIVES, page 53

Custom vans win major role in auto sales

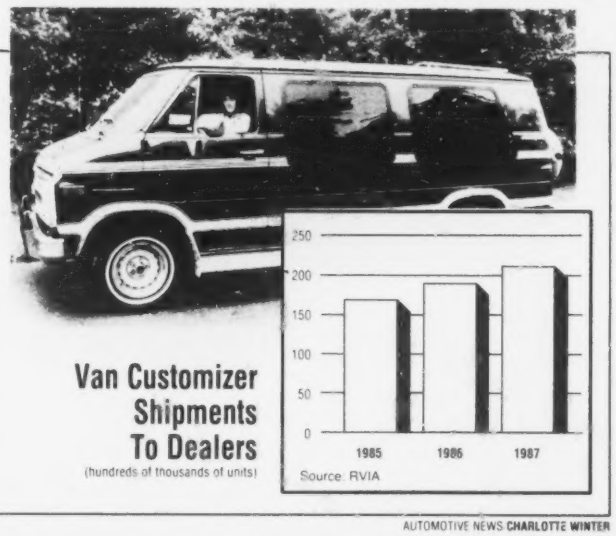
By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

The recreational-vehicle industry has become an increasingly important stimulus to auto company and auto dealer sales, particularly through its van-customizing operations.

Customized vans, the largest single segment of the RV business, now account for half of all shipments.

As Dave Tarrant, Ford Division RV/OEM sales manager, said, the auto industry wouldn't have sold nearly the record 1.2 million vans it sold in the 1986 model year without the help of customizers.

Tarrant added that September 1986 was Ford's best retail sales month ever for RV vehicles going through its consignment pools — i.e., vans for customizing and cutaways for motor homes. October was the company's second-best month.



AUTOMOTIVE NEWS CHARLOTTE WINTER

Bob Rieth, special vehicle manager for Chevrolet, expects the RV industry to generate more than 100,000 sales for Chevrolet in the 1987 model year — 60,000 in vans for customizing and another 40,000-45,000 in chassis for motor homes.

RV manufacturers are expected to wholesale an estimated 386,000 units in calendar 1986, according to John W. DeWolf, an independent analyst for the Recreational Vehicle Industry Association.

That is up from 359,200 in 1985,

see RV, page 30

About face: Iowa dealers on fleet law

By John A. Russell
AUTOMOTIVE NEWS STAFF REPORTER

After working to pass a law to ban fleet incentives, the Iowa Automobile Dealers Association board of directors has voted to seek repeal of that same law.

The law banned incentives for business and rental fleets, and became effective in July. Iowa is the first state to enact such a law.

It forbids auto makers from selling cars to fleet buyers at prices lower than those given to auto dealers. Automakers argue that the lower prices are justified because large fleet orders give them economies of scale and allow them to smooth out otherwise bumpy production schedules.

Gary Thomas, executive vice president of the Iowa dealer association, said in a telephone interview with Automotive News that the

see REPEAL, page 53

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More Daewoos headed for GM — Page 2
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Mid-month sales climb without help — Page 56

Autolatina

VW and Ford to cut losses with merger in Brazil, Argentina; VW's share 51%

By Rik Turner
STAFF CORRESPONDENT

SAO PAULO — Ford Motor Co. and Volkswagen AG last Tuesday revealed details of the agreement to merge their subsidiaries in Brazil and Argentina.

The new unit, which will bear the name Autolatina Ltda., will be owned 51 percent by the German manufacturer and 49 percent by Ford. It will be presided over in Sao Paulo by Wolfgang Sauer, currently president of VW do Brasil. Wayne Booker, Ford Brasil president, becomes general manager.

Ford's tractor-making and consumer electronics operations in Brazil are not included in the deal.

The merger of the two groups' operations seeks primarily to cut overhead and reduce losses, which have become almost endemic in South America's two most important auto markets. The losses stem in part from government intervention, high local-content requirements and the economic climate.

There is still some question about the future of VW do Brasil's minority shareholders — the government of Kuwait and the Monteiro Aranha Group. Sauer revealed that negotiations are going on to swap each group's 10 percent for one percent of stock in the parent Volkswagen AG.

The new group is significant in its own right. Installed capacity at its 15 plants — 10 in Brazil and five in Argentina — totals 900,000 vehicles. Autolatina thus ranks about 11th in the world.

The group currently employs 75,000 people and has annual sales of $4 billion. It starts life with $1.8 billion in equity and, according to Booker, plans to invest $1 billion during the next five years in retooling and updating facilities.

Brazil's market absorbs some one million vehicles a year. VW is the market leader with around 40 percent and Ford is third with about 20 percent, following General Motors.

In Argentina, a market of some 150,000 units a year, Ford is the bigger. It ranks third with 19 percent while VW, a newcomer, is fourth with 13.5 percent. The front runners are Sevel and Renault. Sevel assembles Fiats, Peugeots and GMC vans.

This year VW's Brazilian sales (domestic and export) will be 380,000 while Ford's will be 195,000 in the country. In Argentina, Ford will sell 32,000 vehicles and VW will sell 23,000.

The total of 630,000 sales this year means the group has about 30 percent spare capacity. The aim is to minimize costs, particularly in Brazil which has the basics for a successful auto industry.

The problem, at least as far as Brazil is concerned, is that price controls have existed since 1977 in one form or another. Both VW and Ford have been in the red since 1981 as a result. This year, the German-owned company predicts a loss of $100 million, while Ford may lose as much as $40 million to $60 million.

And yet both companies want to stay in Brazil — for its domestic market potential and its prospects as an export base.

A recent study by the country's auto manufacturers' association, ANFAVEA, indicates that vehicle production could reach 5 million units by 1995 compared with 1.2 million today. Of that total, 3.5 million would be for export, according to ANFAVEA President Andre Beer.

Ford sends Cargo trucks from Brazil to the United States (a target of 10,000 units a year) and provides other truck lines in the United States and elsewhere with Brazilian diesel engines.

VW do Brasil, meanwhile, is embarking on a major export program to the United States, with a plan to ship 100,000 Fox sedans and station wagons a year. It is also to export 10,000 medium-sized trucks a year to be distributed by PACCAR, of Seattle.

Both companies have sorely felt the lack of full engine lines in the face of GM, which has 1.6-, 1.8- and 2.0-liter engines. VW's engine line tops out at 1.8 liters, while Ford currently has only a 1.6-liter and an export-only 2.3-liter. One idea is to power VW's Santana sedan with the Ford engine, for which there is spare capacity.

At the same time, the VW 1.8-liter engine could provide an interesting addition to the Escort. Ford's old 1.6-liter Corcel engine is even being considered for VW's new subcompact, the BY.

Autolatina wants to swap Brazilian Escorts for Argentine Sierras, and the potential for similar trade in parts is considerable. The problem is that Argentinian parts are more expensive to produce than Brazilian parts.

Meanwhile, the VW operation in Argentina, which assembles kits from Brazil, is earmarked for closure. Its functions will be transferred to one of the Ford plants in the country.

Behind Autolatina's formation, however, are the plans for economic integration of the two countries.

VW to spend $15 billion on product, plants by '91

Hahn: VW Group will surpass 3 million car sales in 1987.

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

WOLFSBURG, West Germany — Volkswagen Group will spend the equivalent of $15 billion during the next five years to bring out new products and equip its plants.

VW Chairman Carl Hahn predicted that in 1987, the company will for the first time surpass 3 million car sales (including Audis and Seats) worldwide. He said VW will hold on to first place in the European sales race even with Alfa Romeo part of the second-place Fiat Group.

Hahn dismissed as "a lot of hysteria" concern on European stock markets about a drop in net profits reported by VW Group for the first nine months.

Although VW will cooperate with Ford Motor Co. in South America, Hahn said the two companies are not a good match in Europe. He also said VW is disinclined to help Chrysler Corp. return to the European market by participating in a joint agreement.

Hahn said that Audi, saddled with troubles in the United States caused by publicity surrounding unexpected acceleration of Audi 5000s, will get back on track next year with introduction of the new 4000.

To build on VW's recent emergence as Europe's leading manufacturer, Hahn said the company will spend heavily in the next half-decade. The investment plan is part of a strategy to move upwards in production scale and sales.

"We will reach a spending pattern in our investment worldwide of better than 5 billion D-marks ($2.48 billion)," he said. "We plan for the next five years to invest better than 30 billion deutschemarks in new hardware and new products."

In the short term, he said, capacity increases will be achieved by "mobilizing the potential of Seat and mobilizing still hidden reserve capacities in our plants." Seat is the Spanish carmaker in which VW has taken a majority stake in preparation for a full takeover.

"We plan to increase Audi production next year from about 390,000 to 450,000," he said, citing a large backlog of orders for the new Audi 80 (4000 in the United States).

"There is no factory left of ours where production will not be increased," Hahn said. "But we don't have the idea of investing in a new plant, except for the (Seat) plant outside Barcelona."

The VW-Audi-Seat group is on

see HAHN, page 54

LeMans

More cars slated for North America

By Andrew Tank
STAFF CORRESPONDENT

Pontiac plans to introduce its LeMans June 11.

SEOUL, South Korea — Gun-Woo Park, general director of the export division of Daewoo Motor Co. Ltd., said he expects to ship about 120,000 LeMans subcompacts to Pontiac and 30,000 to 40,000 to General Motors of Canada in the first year of exports.

Park's figures are higher than those given recently by GM Chairman Roger Smith, who said imports would range from 80,000 to 100,000.

Pontiac Motor Division plans to introduce its LeMans June 11. GM of Canada hopes to launch it later in 1987.

"Pontiac has asked us for more, and GM of Canada wants them as soon as possible," said Park.

Daewoo Motor's $425 million LeMans assembly line at Pupyong now has a capacity of 167,000 cars a year. That is expected to rise to 278,000 in 1988. If extra orders are forthcoming from North America, it seems likely that Daewoo Motor will exceed its projected LeMans production of 140,000 units in 1987 and 167,000 in 1988.

There were reports that Pontiac planned to launch the LeMans as early as January or February. Park denied there has been a delay.

In the long term, Daewoo Motor hopes to broaden its export market. In Park's office, there is a map of the world with pins — indicating prospects — stuck in virtually every major city in Asia, Africa and South America. He also hopes to sell to Japan, but reckons Europe will be unlikely, since GM's Opel is already well established there. LeMans is an Opel design. He said an international marketing plan is still in the early stages, although a study group has been set up to investigate the complexities of entering the Japanese market.

Initially, most exports will be marketed through GM outlets, as in North America. But in Third World markets, Daewoo Motor might set up its own dealerships. GM owns 50 percent of Daewoo Motor, with the rest held by Daewoo Corp.

It recently signed an agreement with Nissan to make minivans and coaches. It permits Daewoo Motor to export those models to markets where Nissan does not have a manufacturing plant.

Park said he hopes to start exporting vans, too. However, Daewoo plans to make only 17,000 vans in 1987 and 30,000 in four years' time. Most will be absorbed by the domestic market in Korea.

Yue Loong: Nothing less than Feelings

TAIPEI, Taiwan — Yue Loong Motor Co., one of Taiwan's top auto manufacturers, has introduced its first self-developed compact car, called the Feeling 101.

In a separate development, the San Fu Industrial Co. has reached an agreement with Isuzu Motors Ltd. and General Motors to produce Isuzu's Trooper utility vehicle for export, according to the Free China Newsletter.

According to the newsletter, the car, designed and manufactured by Yue Loong, was unveiled here at the World Trade Center Complex by Vivian Wu Yen, chairman and president of Yue Loong, during a reception for government officials and business leaders. Lee Ta-hai, economic minister of Taiwan, was on hand to congratulate Wu Yen and the company for developing its own compact car.

Yue Loong, which is 25-percent owned by Nissan Motor Co., has been producing cars with Nissan's technical assistance. However, the Feeling 101 was produced solely by Yue Loong's own engineers and workers at its Sanyi plant in central Taiwan.

William Chao, chairman of the Council for Economic Planning and Development, praised the company for introducing the first car "with the country's own brand name" and called for continued efforts by domestic car makers to produce more locally built cars in the future.

"There is a long and difficult path to go," he said. "However, I call on you to overcome the difficulty and struggle for breakthroughs, so that more Chinese-made cars may run on the streets in the big cities around the world."

Although details of the car's production were not announced, Yue Loong officials revealed that the first 1,500 units of the 1.5-liter Feeling 101 were already sold through advanced orders. The company said it also plans to introduce domestic standard- and automatic-transmission models of its 1.6-liter Grand Tour car.

The Nissan-San Fu agreement, said to have been under discussion for some time, was firmed up after the Taiwanese firm obtained consent from Renault to go ahead with the project. Renault is currently providing San Fu with technical know-how for the production of Renaults in Taiwan.

San Fu officials were quoted as saying if all goes as planned, production of the vehicles will begin next March or April. The vehicles will be produced for Isuzu, which in turn will market them in the United States and Europe through GM's dealer network.

According to the publication, the agreement calls for San Fu to produce 40,000 Troopers annually in its existing facilities, while Isuzu will provide $100 million in production equipment, components and techniques for vehicle assembly.

Two years after the start of production, San Fu said Taiwanese manufacturers are expected to provide 30 percent of the components for the Trooper.

Levy expected to head Renault

PARIS — Long-time European steel industry executive Raymond Levy emerged last week as the frontrunner to take over as chairman of Renault.

Sources at the French automaker said Levy was a clear favorite to replace Georges Besse, who was assassinated Nov. 17.

Levy, 59, has been president of Belgium's Cockerill steel group since June 1985. He previously headed the state-controlled Usinor steel group in France, but was dropped by the then-Socialist government.

Levy was expected to be nominated late last week by the officials in the French government, which owns Renault. The nomination must be approved by the company's board of directors and ratified by the French cabinet.

The Renault board meeting scheduled for last Tuesday was canceled, apparently because top ministers had not then decided on a successor for Besse.

Levy has an appropriate background for taking charge at Renault. He was schooled at the Ecole Polytechnique, the prestigious French engineering school which produced Besse and several other titans of French industry. He also studied at the Massachusetts Institute of Technology.

Delco strike ends; parts lag hobbles GM

By Louise Kertesz
AUTOMOTIVE NEWS STAFF REPORTER

With the just-in-time inventory system backfiring, crippled General Motors assembly plants continued to close last week, even after a settlement was reached in the Delco Electronics strike.

Twenty assembly plants and four component plants have been affected by the five-day strike, which resulted in the layoff of more than 60,000 employees. Two assembly plants resumed production last week, and 11 are slated to come back this week. The other assembly plants will be down until Dec. 8.

Members of UAW Local 292 in Kokomo ratified an agreement Nov. 22 and some work resumed at the plant that night. But the assembly plants continued to go down last week as their thinned supplies of Delco radios and electrical components quickly dried up.

In a domino reaction, several component plants that supply the assembly plants closed down because their customers were not operating.

Other component plants, such as those of Fisher Guide Division, have used the delay to build inventories. A Fisher Guide spokesman said that there is a possibility that a few people will be affected at two of its plants this week.

Meanwhile, officials at UAW locals said the success of the Delco strike demonstrates that job loss through subcontracting and outsourcing can be curbed through a strike — or the threat of a strike.

In the Delco settlement, GM agreed to build radios in Kokomo, Ind., rather than in Mexico and to return subcontracted work to the local.

A UAW source remarked, "People who say that the strike has no place in modern labor strategy are wrong."

However, a source at a UAW local representing Ford Motor Co. workers said that Ford is less vulnerable to a massive shutdown, because just-in-time is less widespread at Ford.

UAW Vice President Donald Ephlin, head of the union's GM Department, said that the strike was the result of a breakdown in procedure.

Ephlin said that under the GM agreement, the union is notified of a plan to outsource. "We sit down and talk, and we're supposed to find a way to keep the work in house," he said. "We regularly succeed in doing that.

"Obviously that's the better result."

A UAW spokesman in Detroit said that, in the Delco settlement, GM also agreed to make a cash payment to some 400 workers affected by the subcontracting to other U.S. firms and to clean up plant areas the union claimed were health and safety hazards.

He said the agreement included some job classification reductions. Ephlin said the union agreed to "adjustments which were called for under the circumstances." He said no concessions were made, but he did not elaborate. Officials at Local 292 could not be reached for comment.

A GM spokesman said the company had no comment on the settlement.

The UAW views outsourcing and subcontracting as twin threats to job security. But Ephlin said outsourcing out of the United States also means "the better paying blue-collar jobs are going overseas. We consider the exporting of so many of our jobs a very serious problem."

Though companies claim they have to outsource certain products to be competitive, Ephlin said, "We don't necessarily agree to that. They sell their products in the U.S.; it is essential to provide jobs to Americans so they can buy those products."

Ephlin said that though most radios are outsourced to foreign countries, "We're proud that radios are still being made in Kokomo and will be in the future."

Ephlin said the United States needs an industrial policy to deal effectively with the "bloodletting" caused by foreign competition. He said that toward that end, he will serve on a new national Competitiveness Committee, which will be announced this week.

But he said that gains can be made at the bargaining table to curb outsourcing. He noted that provisions in the 1982 and 1984 national agreements "make it more difficult for a company to outsource."

For example, workers who lose their jobs because of outsourcing are eligible for the job bank and receive wages, benefits and, in

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Japanese dip predicted as import sales increase

By Matt DeLorenzo
AUTOMOTIVE NEWS STAFF REPORTER

WASHINGTON — Having satisfied pent-up demand in the U.S. market, the auto industry faces flat sales in 1987 and Japanese car sales will actually decrease, according to auto analyst Maryann Keller.

Speaking at the annual meeting of the Automotive Trade Association, National Capital Area, Keller predicted that the Japanese government will retain quotas at their current level of 2.3 million cars; however, higher prices resulting from the increased valuation of the yen will result in fewer sales for the first time since 1979.

However, she expects total import-car sales to increase by 200,000 units to 3.3 million in 1987, largely due to the presence of two Korean imports, Hyundai and the forthcoming Daewoo-produced Pontiac LeMans; Lincoln-Mercury's Mexican-built Tracer; and Volkswagen's Brazil-sourced Fox.

Keller predicted that sales will decline in both the car and truck sectors, to 10.3 million-10.5 million cars in 1987 (compared to 1986's forecast of 11.7 million) and to 4.3 million trucks (compared to 1986's forecast of 4.6 million).

She predicted that sales of imported light trucks will rise, however, from 800,000 units this year to 900,000 in 1987.

"The car market is reshaping itself," she said, adding that competitive, more than economic, forces are at work.

Keller: "The car market is reshaping itself."

For the first two years of this recovery cycle, demand outstripped supply, Keller said. But now the business has moved into a new phase in which overcapacity and competition are pressuring automakers. The change, according to Keller, "began in late 1985 when GM was caught with an enormous inventory of cars and offered the first mega-finance-rate incentive program."

It was the beginning of the phase in which car companies had to prod consumers to buy, she said. gram, she said.

Keller said that another factor that will depress sales is the record consumer debt level. That will translate into flat sales for several years, she said.

Keller sees the U.S. market of the future more closely resembling the Japanese and European markets today. There, manufacturers are competing for share in a robust market, yet are losing money.

Today, "the United States is the only major profitable market in the world," she said. Both European and Japanese manufacturers count on profits here to sustain them in their home markets. If those profits go away, the worldwide auto industry is due for some major changes, she said.

It will be a market in which incentives will be part of the normal business pattern and manufacturers will be "fighting for shelf space." As a result, dealers — especially mega-dealers — will become more important, Keller said.

The number of supermarket mega-dealers will increase, and "the era of public ownership of car dealerships is near," Keller predicted. Public ownership "opens up huge capital markets" heretofore unavailable to dealers.

Perhaps the only stumbling block would be dealers' reluctance to relinquish total control to "an amorphous group of stockholders," she said.

Keller is vice president of Furman, Selz, Mager, Dietz & Birney.

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GM reported trying to sell EDS

Automaker denies it's on block, but AT&T tells of talks

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

Just two years ago, General Motors was counting on its Electronic Data Systems subsidiary to lead its technological charge into the 21st century.

But now there are reports that GM recently considered selling EDS. And although GM has denied that its computer services company is for sale, analysts were quick to speculate on the situation following a Wall Street Journal article (Nov. 17) that reported GM had talked with AT&T about selling all or part of EDS.

AT&T later confirmed that it had wide-ranging discussions with the automaker "that didn't preclude investment." A GM spokesman said EDS was not for sale and when asked if it had been offered, would not comment further.

However, GM Chairman Roger Smith, in an interview published in the Detroit Free Press (Nov. 26), said, "EDS isn't for sale; we have never had it on the block or anything like that."

He said that GM and AT&T have continual talks because EDS is a large customer of AT&T. "We are discussing some other things with AT&T that would result in some different arrangements involving EDS and maybe even Hughes Aircraft," Smith said.

On several fronts, the sale of EDS would be understandable, analysts said. But overall they see the GM-EDS linkup, despite the problems it has created, as a venture worth preserving.

Among the possible motives is money. By selling EDS, GM could bolster its cash reserves by several billion dollars. Although analysts doubted that GM could get its reported asking price of twice the $2.5 billion it paid for EDS in 1984, a sale would likely have brought a substantial gain. The price was reportedly an issue in the discussions.

Another consideration may have been EDS Chairman H. Ross Perot. The founder of EDS, now a GM board member, has been an outspoken critic of GM corporate policy. He has accused GM's top brass of being alienated from customers and has called for the end of some executive perks.

According to analysts, the comments have stung GM's tightly knit board. Selling EDS would solve the problem.

The EDS talks may also reflect GM's second thoughts about its approach to new technology.

Philip Fricke, an analyst with Goldman Sachs & Co., said the discussions appear to have stemmed from GM's announcement last spring that it was cutting capital spending.

In addition, he said, GM has questioned whether the level of technology at its highly automated Hamtramck, Mich., assembly plant, for example, is necessary to produce a quality product. Problems with the new technology led to production delays after the plant opened in 1985.

In other moves this year, GM has scaled back spending for its Saturn project and has shelved other programs, such as its hi-tech GM80 project to replace the Pontiac Firebird and Chevrolet Camaro.

"Perhaps within the total reassessment, it stands to reason that the role of EDS may also be reassessed," Fricke said.

GM's absorption of EDS has taken longer and has been more expensive than expected. The cultural clash that resulted when thousands of GM workers switched to EDS has been well publicized. But despite the problems, other analysts contend that GM and EDS have made significant strides in integrating operations.

In addition, they point out, other factors would make the sale of EDS a questionable move.

On a practical front, EDS would be hard to unravel from GM. Though the merger itself was hardly smooth, analysts said, se-

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GM shuffles C-P-C engineering bosses

Several top engineering executives at General Motors' Chevrolet-Pontiac-Canada Group were shuffled into new positions last week, as the division named new chiefs for Chevrolet engineering, C-P-C advanced engineering and C-P-C vehicle engineering.

Effective today F.J. Schaafsma, most recently head of the now-defunct GM-80 Camaro-Firebird replacement program, takes over at Chevrolet engineering, replacing Donald L. Runkle, who becomes director of advanced engineering for C-P-C.

Kenneth R. Baker, whom Runkle replaces, becomes C-P-C director of vehicle engineering, replacing D.R. Genord, who moves to product assurance and test validation.

C-P-C said the assignment juggling was prompted in part by the impending retirement of Russell Gee, group director for powertrain systems, who will depart Jan. 1.

Also, Jerry Rivard will move from director of test validation to a new position as manager of carryover car programs, reporting to R.J. Schultz, vice president and group director of engineering for C-P-C.

Schaafsma's "extensive background at Chevrolet" helped win him the job as engineering chief for the division, C-P-C said. He came to Chevrolet in 1965 and was promoted to assistant staff engineer for vehicle development and tests in charge of the Camaro program in 1979 and the Corvette program in 1981.

Schaafsma was named chief engineer for the Celebrity, Monte Carlo and Citation in 1983 and moved to the GM-80 program in 1984.

Runkle joined Chevrolet in 1968. In 1982 he was named chief engineer for the Camaro, Caprice and international programs. Later that year he joined Buick as assistant chief engineer. He was appointed head of Chevrolet engineering in 1984.

Baker began his career at Buick in 1969 and was promoted to assistant chief engineer in 1978. In 1979 he was named project manager for GM car programs. Three years later he rejoined Buick as manager of advanced design and special projects. In 1984 he became assistant chief engineer for the Buick-Oldsmobile-Cadillac Group. A year later, he was appointed head of C-P-C advanced engineering.